PHILIP MORRIS
U.S.A.
120 PARK AVENUE, NEW YORK, N.Y. 10017-5592 TELEPHONE (212) 880-5000

May 17, 1996

Mr. Jay Coleman
President and CEO
Entertainment Marketing &
Communications International, Ltd.
24 Richmond Hill Avenue
Stamford, CT 06901

Re: **Virginia Slims Music Promotion**

Dear Mr. Coleman:

This letter constitutes the agreement (the "Agreement") between Philip Morris Incorporated, a Virginia corporation with executive offices located at 120 Park Avenue, New York, New York 10017 ("Philip Morris"), and Entertainment Marketing & Communications International, Ltd., a Delaware corporation, with offices located at 24 Richmond Hill Avenue, Stamford, CT 06901 ("EMCI"), pursuant to which EMCI will provide services in connection with a promotion tentatively titled "Woman Thing Music," to be conducted by Philip Morris on behalf of its Virginia Slims Brand of cigarettes (the "Promotion").

1. Services.

In connection with the Promotion EMCI will provide services including, the following:

(a) Conduct research and select a musical artist acceptable to Philip Morris in its sole discretion (the "Second Artist") to participate in the Promotion. The Second Artist will be in addition to Ms. Eva LaRue (Ms. LaRue and the Second Artist, together, the "Artists").

(b) On behalf of Philip Morris, EMCI will enter into a Performance Agreement with each Artist in form and substance acceptable to Philip Morris (the "Performance Agreements"). EMCI must obtain Philip Morris' written approval prior to entering into the Performance Agreements and will use best efforts to ensure that the each Performance Agreement contains the following terms governing the Artist's conduct:

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(i) The Artist will record, on or before July 15, 1996, in the case of Ms. LaRue, and on or before March 15, 1997, in the case of the Second Artist, an original extended play compact disk (an "EP") comprising no less than five original and existing songs for the exclusive, commercial use of Philip Morris, which commercial use will be limited to distribution with the purchase of Philip Morris cigarettes and distribution to adults without charge. In addition, the Artist will perform in a three to five minute music video (a "Video") for the exclusive, commercial use of Philip Morris. The Video will contain one of the songs from the EP. The choice of the song will be subject to Philip Morris' prior approval. Philip Morris may distribute the EP and Video featuring Ms. LaRue through December 31, 1998.

(ii) During the period from February 14, 1997 to May 31, 1997, in the case of Ms. LaRue, and from October 4, 1997 to December 31, 1997, in the case of the Second Artist, the Artist will appear in no less than ten live performances of songs, including those contained on the EP, each on a Friday or Saturday night at a location designated by Philip Morris (the "Showcase Tour Events"). Notwithstanding the foregoing, if prior to August 1, 1996, Ms. LaRue notifies Philip Morris that as a result of a movie commitment she will be unable to perform in ten Showcase Tour Events, she may cancel up to three Showcase Tour Events; provided, however, that Philip Morris, in its sole discretion may determine which Showcase Tour Events will be canceled. Ms. LaRue's compensation under her Performance Agreement will be reduced by $6,000 per Showcase Tour Event that is canceled pursuant to the preceding sentence.

The duration of each Showcase Tour Event will be approximately 45 minutes. During each Showcase Tour Event the Artist will be accompanied by musicians, approved in advance by Philip Morris.

(iii) For a period of thirty days prior to and thirty days subsequent to a Showcase Tour Event in which the Artist performs pursuant to the Performance Agreement, the Artist will not perform, advertise or permit to be advertised, another music performance by the Artist within one hundred and fifty miles of the Showcase Tour Event without the prior written approval of Philip Morris.

(iv) Philip Morris will have the right to use brand and event logos created by Philip Morris in conjunction with the name, likeness and logo of the Artist in advertising and promotional and promotional packaging materials used in connection with the Promotion. The Artist will use the official name

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designated by Philip Morris when referring to the EP as well as each Showcase Tour Event.

(v) The Artist will be available for, and properly participate in, media training sessions, interviews, public appearances, press conferences and other promotional events if, as and when reasonably requested by Philip Morris. All reasonable expenses incurred by the Artist in connection with such appearances will be paid by Philip Morris.

(vi) The Artist will appear at pre or post-show receptions held in connection with Showcase Tour Events in which the Artist performs. The Artist's attendance at such receptions will not be required in the event of an emergency, provided that the Artist first obtains the written approval of Philip Morris, which approval will not to be unreasonably withheld.

(vii) The Artist will not disclose the existence or terms of such Artist's Performance Agreement to third parties without the prior, written consent of Philip Morris.

(viii) The Performance Agreement must be assignable to Philip Morris at any time upon the request of Philip Morris, and the Performance Agreement must contain the Artist's advance consent to any such assignment requested by Philip Morris.

Upon execution of each Performance Agreement, EMCI will deliver one executed original of such Performance Agreement to Philip Morris.

(c) Assume complete responsibility for the production, and certain aspects of the promotion, of each EP and each Video, including the following:

(i) **Creative Services and Cost Management of the EPs**

1. Oversee, manage and distribute in accordance with a budget prepared by EMCI, approved by Philip Morris and attached hereto as Exhibit A (the "Budget"), all creative costs, producer fees, artists royalties, copyright costs, union fees and licensing fees.

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(ii) **Execution of the EPs**

1. Pre-production

   a. source, negotiate and contract with a producer;

   b. source and negotiate for music with songwriters, publishers, lyricists, etc.

   c. source, negotiate and contract with musicians, arrangers and programmers;

   d. source, negotiate and contract for a studio, engineer and other below the line personnel; and

   e. arrange and manage rehearsal time and sessions.

2. Production

   a. manage and oversee the entire recording process;

   b. in accordance with the Budget, handle all expenses including talent, production staff, studio, equipment and supplies;

   c. arrange and manage all scheduling and logistics;

   d. arrange and manage all creative elements of the recording process;

   e. manage and oversee the album mixing process;

   f. manage and oversee the album mastering process;

   g. manage and oversee the dance single mixing process;

   h. manage, oversee, and assist Philip Morris in obtaining bids for, album manufacturing;

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i. negotiate and contract with the manufacturer chosen through a bidding process approved by Philip Morris; and

j. coordinate the manufacturing and shipping process.

(iii) **Execution of the Videos**

1. Pre-production

a. source, negotiate and contract with a producer and director;

b. source, negotiate and contract with all below the line personnel;

c. source, negotiate and contract with musicians and talent;

d. arrange and manage rehearsal time and sessions;

e. source, negotiate and schedule production; and

f. source sites for video shoots.

2. Production

a. manage all elements of the shoot; and

b. in accordance with the Budget, handle all expenses including talent, production staff, studio, equipment and supplies.

3. Post-production

a. source, negotiate and contract with an editor and editing facilities;

b. manage and oversee the editing process;

c. manage, oversee, and assist Philip Morris in obtaining bids for, video manufacturing; and

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d. negotiate and contract with the manufacturer chosen through a bidding process approved in advance by Philip Morris.

(iv) **Promotion of the EPs and the Videos**

1. if and when requested by Philip Morris, assist and cooperate with Philip Morris and third parties designated by Philip Morris in the promotion and distribution of the dance mix singles to dance clubs; and

2. if and when requested by Philip Morris, assist and cooperate with Philip Morris and third parties designated by Philip Morris in the promotion and distribution of the Videos.

(v) **Budgeting for the EPs and the Videos**

1. at all times and in all respects comply with the Budget; and

2. ensure compliance by each subcontractor of EMCI with the Budget and adherence thereto.

(vi) **Miscellaneous for the EPs and the Videos**

1. be available to meet at reasonable times at Philip Morris headquarters or at other locations Philip Morris may designate with Philip Morris representatives and third parties designated by Philip Morris;

2. arrange and manage Philip Morris/EMCI status meetings with other parties (e.g., talent, producers, manufacturers, etc.); and

3. if and when requested by Philip Morris, arrange and manage travel arrangements for all parties in connection with the Agreement.

(vii) **Artist Management for the Showcase Tour**

1. provide the personal services of a Showcase Tour Event coordinator to act as Philip Morris' primary liaison with talent, talent management, and Philip Morris, particularly in addressing artistic concerns and program mandates;

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2. source, negotiate and contract with arrangers as necessary to score live music;

3. source, negotiate and contract with local radio personalities to act as masters of ceremonies for Showcase Tour Events;

4. cooperate to ensure production value and program consistency;

5. source, negotiate and contract with local musicians for Showcase Tour Events;

6. manage and oversee rehearsals;

7. source, negotiate, contract with and manage local transportation and production personnel as required;

8. source, negotiate and contract for musical equipment and, if requested, providers of sound and lighting equipment and supplies as required;

9. source, negotiate, contract for and manage travel and accommodations for tour personnel; and

10. prepare written market reports for Philip Morris detailing on-site activities.

(d) EMCI will have the right to submit a competitive bid for the rendition of services to be performed in connection with the execution of the "Bar Nights" element of the Promotion. If EMCI is selected by Philip Morris, the selection will be subject to the negotiation of the terms and conditions in a separate written agreement between EMCI and Philip Morris.

2. Staffing.

EMCI will submit to Philip Morris a list containing the names and titles of all EMCI personnel engaged in providing services to Philip Morris pursuant to the Agreement. In addition, EMCI will submit to Philip Morris for its prior approval, the names of any producers and directors of the EPs or the Videos to be engaged by EMCI pursuant to the Agreement. If at any time Philip Morris requests that any employee or subcontractor of

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EMCI be replaced, EMCI will promptly replace such employee or subcontractor with another employee or subcontractor acceptable to Philip Morris.

3. Payment.

(a) Management Fee. In consideration for the services rendered pursuant to the Agreement, Philip Morris will pay EMCI a management fee of $695,000. Philip Morris will pay such fee in the following installments after submission of invoices upon the occurrence of the following events:

(i) $69,500 - complete execution of the Agreement;

(ii) $69,500 - complete execution of the Performance Agreement with Eva LaRue;

(iii) $139,000 - delivery of 305,000 copies of Eva LaRue's EP in form and substance satisfactory to Philip Morris no later than September 15, 1996;

(iv) $139,000 - complete execution of a Performance Agreement with the Second Artist and agreements in form and substance acceptable to Philip Morris with each of the producer and the recording studio for the Second Artist's EP no later than December 15, 1996;

(v) $92,667 - delivery of the master recording of the Second Artist's EP in form and substance acceptable to Philip Morris no later than March 28, 1997;

(vi) $92,667 - satisfactory completion of Eva LaRue's Showcase Tour and delivery of 305,000 copies of Second Artist's EP in form and substance satisfactory to Philip Morris no later than July 15, 1997; and

(vii) $92,667 - satisfactory completion of the Second Artist's Showcase Tour no later than December 15, 1997.

(b) Talent Expenses. EMCI will submit to Philip Morris for its prior approval, a talent budget for the two Artists (the "Talent Budget"). Philip Morris will pay EMCI for talent expenses ("Talent Expenses") in accordance with the Talent Budget. Total Talent Expenses may not exceed the total Talent Expenses included in the Talent Budget, without the prior written approval of Philip Morris.

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(c) Operating Expenses. Philip Morris will reimburse EMCI for reasonably priced out-of-pocket expenses relating to the production of the EPs and the Videos and the Showcase Tour Events ("Operating Expenses"). Operating Expenses include recording costs and other expenses as set forth in the Budget. Such Operating Expenses will be reimbursed as set forth in the payment schedule included in the Budget; provided, however, that payments will be made in advance of a scheduled payment date if the services are satisfactorily performed, and invoices detailing the Operating Expenses incurred in connection with such services are received, prior to the scheduled payment date. Total Operating Expenses throughout the term of the Agreement may not exceed the total Operating Expenses included in the Budget without the prior, written approval of Philip Morris.

(d) Reallocation of Expenses. EMCI may not apply funds allocated to one expense budget category to expenses incurred in another budget category without the prior written approval of Philip Morris.

Philip Morris will pay EMCI's fees and expenses within thirty (30) days after Philip Morris' receipt of itemized invoices; provided, however, certain expenses may be paid in advance by Philip Morris. Any request for advance payment will be supported by documentation acceptable to Philip Morris that such advance payment is required. Any expense in excess of $25 must be submitted with receipts. Any expense in excess of $250 not included in a budget approved by Philip Morris must be approved in advance by Philip Morris.

4. Term and Termination.

The term of the Agreement commenced as of March 1, 1996 and will continue through the later of December 31, 1997 or complete performance of all services to the satisfaction of Philip Morris. Philip Morris may terminate the Agreement with or without cause upon written notice to EMCI. Termination for cause is termination for a material breach of the terms and conditions of the Agreement. If Philip Morris terminates the Agreement without cause, Philip Morris will have no liability to EMCI after the date of termination, to be defined as the date that is 30 days after the date upon which the notice of termination is received in EMCI's offices by certified mail, return receipt requested, with the exception of fees earned for services satisfactorily performed and documented expenses properly incurred and commitments undertaken as permitted under this Agreement prior to the date of termination. If the Agreement is so terminated, fees earned for services, expenses and commitments will be paid on the basis of the work completion schedule attached hereto as Exhibit B.

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5. Records.

EMCI, its employees and agents will maintain detailed and accurate books and records of account with respect to activities undertaken on behalf of Philip Morris. Records of disbursements must indicate the check number, dollar amount, identity of the payee and reason for the expenditure. EMCI will provide periodic reports as and when requested by Philip Morris and a final accounting within 30 days of completion of all Services. The final accounting must include an itemization of all expenses incurred and must be initialed by an appropriate officer or authorized representative of EMCI. At the request of Philip Morris, Philip Morris or its designated agent may inspect, review and copy EMCI's books and records as they relate to the Promotion, at reasonable times during normal business hours upon reasonable, advance notice to EMCI and at the expense of Philip Morris.

6. Right to Materials.

All property or material prepared or developed by EMCI pursuant to the Agreement will become the property of Philip Morris and EMCI hereby agrees to assign to Philip Morris any and all rights to copyright the material. Upon the acceptance by Philip Morris of any copyrightable material prepared by EMCI, EMCI at the request of Philip Morris will assign all of its right, title and interest in the material to Philip Morris and execute an assignment in a form acceptable to Philip Morris. Philip Morris agrees to negotiate in good faith with EMCI for a reversion of rights to an Artist if and when requested by such Artist following the conclusion of the original Promotion or any extension thereof.

EMCI warrants that with respect to any property or material used in connection with the Promotion, EMCI has or has obtained from the owners of, claimants to and subjects of the material used, and when and where appropriate, their respective heirs, successors, executors, administrators and assigns, signed writings conveying all appropriate right, title and interest in the material to Philip Morris, or, alternatively, expressly granting EMCI the right to use the materials in connection with the Promotion.

EMCI has obtained all releases and consents necessary for the performance of EMCI's duties under the Agreement. EMCI warrants that it has obtained all appropriate consents or licenses from ASCAP, BMI or other similar licensing organizations.

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7. Philip Morris Names.

EMCI recognizes and acknowledges that the Virginia Slims name, any name developed in connection with the Promotion and the name of any and all Philip Morris brands and the designs, emblems, slogans and insignia thereof, and the goodwill associated therewith, have great value and are the sole property of Philip Morris. EMCI agrees that it has and will claim no right, title or interest in the same or the use thereof except the right to use them pursuant to the terms and conditions of the Agreement.

Upon the termination or expiration of the Agreement, EMCI will cease all use of Philip Morris names, with the exception that EMCI may use the Virginia Slims name or any name developed in connection with the Promotion, or the designs, emblems, slogans or insignia thereof, in connection with the promotion of EMCI's business; provided, however, that EMCI must obtain Philip Morris' advance, written approval for any such use, which approval may be withheld by Philip Morris in its sole discretion. Any such approval will be granted by Philip Morris' only after its receipt of a detailed description of the proposed use.

8. Confidentiality.

EMCI, its employees and agents will hold strictly confidential the existence and terms of the Agreement and all information and materials provided by Philip Morris to EMCI or prepared, developed or acquired by EMCI pursuant to the Agreement (collectively, the "Information and Materials"). EMCI will not use the Information and Materials for any purpose other than to fulfill its obligations under the Agreement and will cause the Information and Materials to be retained in complete confidence and prevent the improper use or disclosure thereof by EMCI's employees, agents, and subcontractors. EMCI will require each subcontractor, other than subcontractors providing only incidental services, to enter into signed confidentiality agreements with EMCI having terms at least as restrictive as the Agreement. Except as otherwise required in connection with any civil or criminal investigation, or any judicial or administrative proceeding, EMCI will not disclose any Information and Materials to third parties, other than as contemplated by the terms of the Agreement, without the prior, written consent of Philip Morris. If EMCI is requested or required to disclose any Information and Materials to a third party in connection with any ongoing civil or criminal investigation, or any judicial or administrative proceeding, EMCI will promptly notify Philip Morris so that Philip Morris may, if it chooses, seek an appropriate protective order. Within thirty days after the termination or expiration of the Agreement, EMCI will return all Information and Materials to Philip Morris. EMCI's obligation to maintain confidentiality will survive the termination or expiration of the Agreement.

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9. Indemnity.

EMCI agrees to indemnify and hold harmless Philip Morris, its affiliates and their respective officers, employees, directors and agents from all claims, liabilities, costs and expenses, including reasonable attorneys' fees, that arise from, or may be attributable to any breach of applicable law by, or to errors, omissions or fault of, EMCI. EMCI's obligation to indemnify and hold harmless will survive the termination or expiration of the Agreement.

Philip Morris agrees to indemnify and hold harmless EMCI, its affiliates and their respective officers, employees, directors and agents from all claims, liabilities, costs and expenses, including reasonable attorneys' fees, that arise from, or may be attributable to any breach of applicable law by, or to errors, omissions or fault of, Philip Morris. Philip Morris' obligation to indemnify and hold harmless will survive the termination or expiration of the Agreement.

10. Insurance.

Within ten days after execution of the Agreement, EMCI will deliver to Philip Morris certificates of insurance evidencing coverage for (1) comprehensive general liability, including, products/completed operations, advertiser liability, contractual liability, and errors and omissions liability, including, invasion or infringement with rights of privacy or publicity, infringement of copyright or trademark, libel, slander, defamation, unauthorized use of names, trademarks, titles, formats, ideas, musical compositions, and breach of implied contract, all with limits of no less than $5,000,000 combined single limit for bodily injury, including personal injury, and property damage; (2) comprehensive automobile liability, including all owned, non-owned and hired vehicles, with limits of no less than $5,000,000 combined single limit; and (3) statutory worker's compensation coverage meeting all state and local requirements, including coverage for employer's liability with limits of no less than $500,000. The insurance certificates required for the insurance described in (1) and (2) above must name Philip Morris, its affiliates, agents, representatives, employees and assigns as additional insureds and EMCI must provide Philip Morris at least thirty days' prior, written notice of a cancellation or modification of the insurance. The insurance must be primary coverage without right of contribution from any other Philip Morris insurance. Insurance maintained by Philip Morris is for the exclusive benefit of Philip Morris and will not inure to the benefit of EMCI. EMCI assumes responsibility for ensuring that all subcontractors utilized by EMCI in connection with the Agreement are adequately insured.

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11. Assignment of Agreements.

Each agreement or other binding commitment entered into by EMCI in connection with the subject matter of the Agreement will contain a provision stating expressly that such agreement or binding commitment is assignable to or for the benefit of Philip Morris upon request. If and when requested by Philip Morris, EMCI will take all steps necessary to assign any such agreement or binding commitment to Philip Morris. In addition, Philip Morris will have the right, in its sole discretion, to approve in advance any agreement or other contractual arrangement entered into between EMCI any Artist, the producers of the EPs, the directors of the Videos, the recording studios for the EPs and the owners of rights of the songs and other music to be used in the EPs. If and when requested by Philip Morris, EMCI will deliver to Philip Morris a copy of any executed agreement or other binding commitment entered into by EMCI with any third party in connection with the Agreement.

12. Independent Contractor.

EMCI is an independent contractor and the Agreement will not be construed to create an association, partnership, joint venture or relation of principal and agent or employer and employee between Philip Morris and EMCI or its agents within the meaning of any federal, state or local law. EMCI will not enter into any agreement, oral or written, on behalf of Philip Morris or otherwise obligate Philip Morris without Philip Morris' prior, written approval.

13. Exclusivity.

During the term of the Agreement and for the six months thereafter, EMCI will not, without the prior, written consent of Philip Morris, manufacture, sell or engage in comparable activities for any person, company or other entity whose business competes with any tobacco product of Philip Morris.

14. Third Party Contacts.

If at any time EMCI is contacted by a third party, including the media, other than as contemplated by the terms of the Agreement, concerning EMCI's sales to, or activities on behalf of, Philip Morris, EMCI will make no comment, immediately notify Philip Morris of the third party contact, and refer the third party to Philip Morris, Attention: Senior Vice President, Corporate Affairs.

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15. Miscellaneous.

The Agreement and all matters collateral hereto, will be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within the State of New York.

EMCI will comply with all applicable laws, regulations an ordinances relating to its performance of the Agreement.

EMCI acknowledges that it is cognizant of the provisions of Title 15, Sections 1331 et seq. of the United States Code.

The Agreement is the complete agreement between the parties and supersedes any prior oral or written agreement between the parties concerning the subject matter of the Agreement.

If any provision of the Agreement is held invalid or unenforceable, the remaining provisions will remain in effect.

The Agreement may not be amended or assigned except in a writing signed by both parties except that Philip Morris may assign the Agreement to any of its affiliates without the consent of EMCI. If an assignment occurs, the assignment will not relieve the assigning party of its liabilities or obligations under the Agreement. The Agreement is binding upon successors and assignees of the parties. A waiver by either party of any term or condition of the Agreement in one or more instances will not constitute a permanent waiver of the term and condition or any other term or condition or a general waiver.

Notices provided will be in writing and sent by certified mail, return receipt requested. Notices to EMCI will be sent to Entertainment Marketing & Communications International, Ltd., 24 Richmond Hill Avenue, Stamford, CT 06901, Attention: President. Notices to Philip Morris will be sent to Philip Morris Incorporated, 120 Park Avenue, New York, New York 10017, Attention: Director, Events Marketing.

If the foregoing accurately sets forth our understanding, please signify your acceptance and agreement by executing and returning both of the enclosed copies of this letter to the undersigned. We will then forward a fully executed copy to you.

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If this letter accurately reflects our understanding, please signify your acceptance by signing one original and returning it to the undersigned.

Sincerely,

PHILIP MORRIS INCORPORATED

By:_____

Title:_____

ACCEPTED AND AGREED:

ENTERTAINMENT MARKETING & COMMUNICATIONS INTERNATIONAL, LTD.

By:_____

Title: President

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